

Message Text

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ACTION EB-08

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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8822

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STADIS////////////////////////////////

FOR: IO/IBC/BA AND EB/ICD/TRP

E.O. 11652: N/A
TAGS: EFIN, ISO
SUBJECT: PROPOSED AGREEMENT WITH INTERNATIONAL SUGAR
ORGANIZATION FOR REIMBURSEMENT OF US INCOME TAX

REF: LONDON A-650, SEPTEMBER 28, 1977

1. THE ISO HAS PROPOSED TO CONCLUDE WITH THE UNITED STATES AN AGREEMENT TO PROVIDE EQUALITY OF REMUNERATION BETWEEN EMPLOYEES OF THE ORGANIZATION SUBJECT TO U.S. INCOME TAX AND OTHER EMPLOYEES WHOSE SALARIES ARE EXEMPT FROM NATIONAL TAXATION SIMILAR TO AGREEMENTS WITH OTHER INTERNATIONAL ORGANIZATIONS. THE TEXT OF A DRAFT LETTER FROM ISO TO EMBASSY COMMODITIES OFFICER PROPOSING SUCH AN AGREEMENT FOLLOWS IN PARAGRAPH 4 BELOW. IT IS PATTERNED ON A SIMILAR LETTER FROM IMCO (REFERENCE AIRGRAM).

2. THE EMBASSY UNDERSTANDS IT IS NECESSARY FOR THE U.S. TO BE CONTRIBUTING TO AN INTERNATIONAL ORGANIZATION
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BEFORE SUCH AN AGREEMENT CAN BE EFFECTIVE. HENCE THE RESPONSE TO THE ISO LETTER MIGHT INDICATE THAT THE AGREEMENT WILL ENTER INTO FORCE UPON RECEIPT OF THE RESPONSE TO IT OR WHEN THE U.S. RATIFIES THE INTERNATIONAL SUGAR AGREEMENT, WHICHEVER IS LATER.

3. ACTION REQUESTED: THE EMBASSY WOULD APPRECIATE

INSTRUCTIONS ASAP.

4. ISO TEXT FOLLOWS:

"I HAVE BEEN ADVISED THAT SEVERAL INTERNATIONAL ORGANIZATIONS HAVE CONCLUDED AGREEMENTS WITH THE GOVERNMENT OF THE UNITED STATES WHICH ARE DESIGNED TO PROVIDE TO STAFF MEMBERS OF THOSE ORGANIZATIONS EQUALITY OF REMUNERATION BETWEEN EMPLOYEES SUBJECT TO UNITED STATES INCOME TAX AND OTHERS WHOSE SALARIES ARE EXEMPT FROM NATIONAL TAXATION. AMONGST THOSE ORGANIZATIONS ARE:-

UNITED NATIONS EDUCATION AND SCIENTIFIC CULTURAL ORGANIZATION

INTERNATIONAL LABOUR ORGANIZATION

INTERNATIONAL ATOMIC ENERGY AUTHORITY

INTERNATIONAL CIVIL AVIATION ORGANIZATION

INTER-GOVERNMENTAL MARITIME CONSULTATIVE ORGANIZATION

YOU WILL BE AWARE THAT SIR ERNEST JONES-PARRY, THE EXECUTIVE DIRECTOR OF THE ORGANIZATION, IS TO RETIRE ON 31 AUGUST 1978 AND THAT THE HONOURABLE WILLIAM K. MILLER HAS BEEN APPOINTED EXECUTIVE DIRECTOR WITH EFFECT 1 SEPTEMBER 1978. THEREFORE, I HAVE BEEN INSTRUCTED BY SIR ERNEST TO WRITE TO YOU STATING THAT THE INTERNATIONAL SUGAR ORGANIZATION WOULD LIKE THE GOVERNMENT OF THE UNITED STATES TO CONSIDER THE POSSIBILITY OF ENTERING INTO SUCH AN AGREEMENT WITH THE I.S.O. AND TO ASK YOU TO BE GOOD ENOUGH TO RAISE THIS MATTER WITH YOUR GOVERNMENT. LIMITED OFFICIAL USE

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UNDER SUCH AN AGREEMENT REIMBURSEMENT OF UNITED STATES INCOME TAX PAID BY STAFF MEMBERS OF I.S.O. ON THEIR I.S.O. EARNINGS WOULD BE REFUNDED DIRECTLY TO THE I.S.O. BY YOUR GOVERNMENT. IT IS ESTIMATED THAT THE ANNUAL COST OF SUCH TAX REIMBURSEMENT WOULD BE IN THE REGION OF \$16,000.

IF YOUR GOVERNMENT ACCEPTS THIS PROPOSAL I WOULD SUGGEST THAT THE INTERNATIONAL SUGAR ORGANIZATION REIMBURSES THOSE OF ITS STAFF MEMBERS WHO ARE U.S. CITIZENS OR OTHERWISE LIABLE TO PAY U.S. INCOME TAX AND WHO ARE PAID THROUGH THE ADMINISTRATIVE BUDGETS OF THE ORGANIZATION IN RESPECT OF U.S. INCOME TAX LEVIED ON THEIR SALARIES THROUGH A SPECIAL SUSPENSE ACCOUNT. THE U.S. GOVERNMENT WOULD THEN BE OBLIGATED TO PAY A TAX EQUALIZATION CHARGE TO THE I.S.O. AS PART OF ITS ANNUAL BUDGETARY PAYMENT TO COMPENSATE THIS SPECIAL SUSPENSE ACCOUNT. THIS CHARGE WOULD COVER ACTUAL REIMBURSEMENTS MADE BY THE I.S.O. TO EMPLOYEES SUBJECT TO U.S. INCOME TAX WHOSE SALARIES ARE CHARGEABLE TO THE REGULAR BUDGET OF THE I.S.O.

YOURS SINCERELY,

C. DAMON,

FINANCE AND ADMINISTRATION OFFICER"

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Message Attributes

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